

**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

December 12, 2005

The Honorable Linda W. Cropp
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 504
Washington, DC 20004

Dear Chairman Cropp:

You have asked my office to provide you with an updated estimate of the cost of building a new major league baseball stadium at the currently planned Southeast site. You have also asked us to provide you with an estimate of building a new stadium at a site adjacent to RFK stadium.

As you know, the Office of the Chief Financial Officer has not reviewed any cost estimates for the project since March 2005, when we re-estimated the costs of land acquisition, infrastructure, relocation, and environmental remediation. Our office has not reviewed the hard and soft cost estimates for the baseball stadium since the fall of 2004.

In accordance with the Baseball Omnibus Financing and Revenue Act of 2004, we have consistently said that the District would not issue more than \$534.8 million in bonds. We have structured all of our financing options within that number. Further, we have consistently maintained that, if necessary, the architectural program for the stadium should be adjusted without compromising the revenue streams dedicated to paying the debt.

Cost Estimates

At your request, we have re-estimated the current costs for the Southeast site – including hard, soft, ancillary, financing, infrastructure, and contingency costs – based on the current proposed baseball program, which meets the requirements of the Baseball Stadium Agreement. We have also estimated costs of building a new stadium on the RFK site with the same program.

The table below summarizes the cost estimates for both sites:

ESTIMATED COST SUMMARY <i>(in millions)</i>		
<i>Totals may vary due to rounding</i>		
	Southeast	RFK
Total Land and Site Preparation Cost, including Remediation	\$109.7	\$16.0
Total Hard and Soft Costs	376.6	376.6
Total Ancillary Cost	71.0	45.3
Total Project Contingency	43.2	72.9
Spending Not Recoverable in Next Three Years	n/a	62.1
ESTIMATED PROJECT COST WITHOUT FINANCING	\$600.5	\$573.0
Financing Cost	30.3	23.0
Infrastructure Cost	36.5	9.6
ESTIMATED TOTAL INCLUDING INFRASTRUCTURE	\$667.3	\$605.5

Attached is a detailed list of costs for both sites. Please note that we have not examined the economic development benefits of building a baseball stadium at either site. It is also important to note that the costs will continue to rise at both sites if there are substantial delays in the start of construction beyond March 2006. Further, there are known penalties if stadium construction is not completed by March 2008 at the Southeast site. If the completion were one year late, the District would incur a penalty of up to \$5.3 million. If the completion is two years late, the District must pay \$19 million to Major League Baseball (MLB). Similar penalties for the RFK site are unknown, as we must renegotiate all agreements with MLB if the decision is made to move to the RFK site.

A budget for project costs of \$600.5 million at the Southeast site including financing can be funded by issuing no more than \$534.8 million in bonds in addition to using fiscal year 2005 budget authority and a contribution from MLB, without adversely affecting the General Fund. Conversely, if the District were to decide to move the stadium to the RFK site, the expected savings of \$62 million would not necessarily accrue to the General Fund. It is also important to note that a project budget of greater than \$600.5 million would require additional sources of revenue.

Major RFK Risks

A number of issues must be resolved before the RFK site could be selected. First, under what conditions would MLB agree to a new site? Moving the stadium to RFK would require approval of MLB and renegotiation of all MLB agreements, including the Baseball Stadium Agreement and the Lease Agreement, which could add significant delays to the construction start. The Baseball Stadium Agreement requires the District government to provide a 30-year lease with a total of 10 option years. The current RFK lease expires in 2038, and either Major League Baseball would have to agree to a shorter lease or the federal government would have to extend the current lease by legislation. One possible outcome is that MLB will not agree to a move to RFK and will leave the District for another location.

The second issue concerns the availability of the RFK site for the development of a new ballpark. Is the construction of a new baseball stadium permitted under the District's current lease with the Federal government? The RFK site is currently federal land that is leased to the District under a fifty-year ground lease with the National Park Service. The lease authorizes the District to use the site for stadium

purposes. However, it is unclear whether the National Park Service would allow the construction of a new ballpark on the site. If the National Park Service does not allow the construction of a new ballpark on the site, negotiating a new lease with the federal government could cause delays and increase the cost of building a new stadium at the RFK site.

In addition, a new ballpark on the site may require a change in the underlying zoning for the site. A change in the underlying zoning of the site could cause delays and increase the cost of building a new stadium at the RFK site because the National Capital Planning Commission may have the right to review and comment on the proposed use of the site.

Additionally, The National Environmental Policy Act of 1969 (NEPA) requires that any major federal action affecting the quality of the environment include a detailed report about the environmental impact. It is unclear whether the construction of a new stadium at the RFK site would require a federal action. If a federal action is required and a NEPA environmental report is necessary, the construction of the ballpark could be delayed.

In order to address all of these considerations, we have added an additional ten percent contingency of approximately \$31 million to the hard cost estimate for the RFK site.

Please feel free to contact my office if you would like any additional information regarding these estimates.

Sincerely,



Natwar M Gandhi
Chief Financial Officer

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Office of the Chief Financial Officer
Ballpark Cost Estimate
December 2005

COST SUMMARY (in millions)

	Southeast	RFK	
1 Land and Site Preparation Cost			
2 Acquisition	\$97.7	\$0.0	SE: Based on OPM's property appraisals RFK: No land purchase necessary
3 Environmental Remediation	8.0	16.0	SE: Cost to remove 200,000 tons of soil RFK: Cost to remove 400,000 tons of soil
4 Relocation	4.0	0.0	SE: \$4 million for relocation of businesses RFK: No relocation necessary
5 Total Land and Site Preparation Cost	\$109.7	\$16.0	
6 Hard and Soft Costs			
7 Base Building Cost (assuming start of March 2006)	\$315.4	\$315.4	Increases due to inflation, Katrina, District requirements, & current conditions
8 Ballpark Soft Cost	61.2	61.2	Increase due to design fees and predevelopment costs
9 Total Hard and Soft Costs	\$376.6	\$376.6	
10 Ancillary Costs			
11 RFK Renovation	\$24.0	\$24.0	SE: Actual spending RFK: Actual spending
12 Parking	21.0	6.3	SE: Cost of 900 spaces above ground and 300 spaces under the stadium RFK: Cost for surface paving over existing stadium site after demolition
13 Site Utilities	15.0	6.5	SE: Cost of relocating and reconnecting existing utilities RFK: Cost of connecting new utilities
14 Tunnel Protection	0.5	0.0	SE: Cost of protecting sewer tunnel based on discussions with WASA RFK: No sewer tunnel
15 Sidewalks	4.0	1.5	SE: Cost of sidewalks adjacent to stadium RFK: Cost of sidewalks adjacent to stadium
16 Demolition	3.0	6.0	SE: Demolition of existing structures RFK: Demolition of existing stadium
17 Exterior Public Space / Plazas	3.5	1.0	SE: Cost of public plaza adjacent to stadium RFK: Cost of public space near stadium
18 Total Ancillary Cost	71.0	45.3	
19 Project Contingency			
20 Hard Cost	\$31.5	\$31.5	10% of Hard cost
21 RFK Contingency Factor	0.0	31.5	Contingency to account for possible delay in construction start for 1-2 years
22 Soft Cost	6.1	6.1	10% of Soft cost
23 Parking	2.1	0.6	10% of Parking cost
24 Site Utilities	1.5	0.7	10% of Site Utilities
25 Tunnel Protection	0.1	0.0	10% of Tunnel Protection
26 Sidewalks	0.4	0.2	10% of Sidewalks
27 Demolition	0.3	0.6	10% of Demolition
28 Exterior Public Space / Plazas	0.4	0.1	10% of Plazas
29 Environmental Remediation	0.8	1.6	10% of Environmental Remediation
30 Total Project Contingency	\$43.2	\$72.9	
31 Spending Not Recoverable in Next Three Years	n/a	62.1	See page 2 for detail
32 ESTIMATED PROJECT COST WITHOUT FINANCING	\$600.5	\$573.0	
33 Estimated Financing Costs	30.3	23.0	Insurers confirmed that we can use a surety rather than a cash reserve as a result of stronger investor security brought about by the technical corrections approved by the Council
34 ESTIMATED PROJECT COST WITH FINANCING	\$630.8	\$596.0	
35 Infrastructure Costs			
36 Metro Improvements	\$19.9	\$0.0	SE: Improvements to Navy Yard Metro station RFK: No improvements necessary to Stadium/Armory station
37 Metro Design	1.4	0.0	SE: Cost of designing expansion RFK: No design work necessary
38 Roadwork	12.0	8.0	SE: Costs associated with repaving roads RFK: Cost of new access road to stadium and repaving of some existing roads
39 Roadwork Design	0.0	0.8	SE: No design costs associated with repaving streets RFK: Cost of designing new access streets to stadium
40 Contingency for Metro and Roadwork	3.2	0.8	10% of Metro Improvements and Roadwork
41 Total Infrastructure Cost	\$36.5	\$9.6	
42 ESTIMATED TOTAL INCLUDING INFRASTRUCTURE	\$667.3	\$605.5	
43 OTHER COSTS --- DISTRICT-CONTROLLED			
	Southeast	RFK	
44 Zoning Contingency	\$41.4	\$0.0	SE: Cost to build underground garage and comply with zoning retail requirement RFK: No zoning requirement for underground parking or retail
45 District Regulation Contingency	\$4.5	\$4.5	\$3M to comply with public art requirement and \$1.5M for District permitting fees

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Ballpark Cost Estimate
December 2005

SPENDING AT SE SITE NOT RECOVERABLE IN NEXT THREE YEARS if RFK SITE IS SELECTED (Amounts are included in SE estimate)

1	Acquisition		
2	Total Appraised Cost	\$97.7	
3	Anticipated Landowners Not Wanting to Sell	(30.0)	Estimate that 1/3 of landowners will choose to keep their land if given the choice
4	Properties Purchased by District	\$67.7	Remaining 2/3 of landowners will sell to District if given the choice
5	Anticipated Properties Sold during Construction	(27.7)	Estimate that 40% of properties owned by District can be sold in 2-3 years
6	Properties Held for More than Two Years	\$40.0	Estimate that 60% of properties will not be able to be sold in the next 2-3 years
7	Hard Cost	0.5	Pre-construction services rendered to date
8	Architectural & Engineering Services	4.6	Design services rendered to date
9	Legal & Accounting Fees	0.8	Legal services rendered to date
10	Project Management Fees	1.7	Project management services rendered to date
11	Environmental Mitigation Study	0.5	Study performed on SE site
12	Traffic Management Plan	0.1	Study performed on SE site
13	Permitting Fees	0.1	Fees paid to DCRA associated with site utility work
14	Site Utilities	12.9	Costs incurred by PEPCO at SE site
15	Financing Costs	1.0	Legal and financial advisory services rendered to date
16	Total Non-Recoverable Spending	\$62.1	
